

**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
CHARTER**

I. PURPOSE

This Charter ("Charter") shall govern the operations of the Audit Committee ("Committee") of the Board of Directors ("Board") of Rocky Mountain Chocolate Factory, Inc., a Colorado corporation ("Corporation"). The purpose of the Charter is to assist and direct the Committee in fulfilling its oversight responsibilities in performing the following primary responsibilities:

- Monitor the Corporation's financial reporting processes and systems of internal controls regarding finance and accounting.
- Monitor the independence and performance of the Corporation's independent auditors.
- Provide a forum for communication among the Board, the independent auditors, and financial and senior management of the Corporation.
- Perform such other duties as are delegated to the Committee by the Board.

The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and to engage independent counsel and other advisers as it determines necessary in order to carry out its duties.

II. COMPOSITION

The Committee shall be comprised of three or more directors, each of whom shall meet all requirements for independence promulgated by The Nasdaq Stock Market, Inc. ("Nasdaq"). Each member shall be able to read and understand fundamental financial statements, or will become able to do so within a reasonable period of time after being elected to the Committee, and at least one member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Additionally, not less than one member of the Committee shall have been determined by the Board to be, and designated by the Board as, a "financial expert" as defined in Item 401(h) of Regulation SK promulgated under the Securities and Exchange Act of 1934, as amended.

Members of the Committee shall be elected by the Board at the annual meeting of the Board to serve until their successors are duly elected and qualified. If a member is unable to serve a full term, the Board shall elect a replacement. Unless a Chairman is elected by the full Board, the members of the Committee shall designate a Chairman by majority vote of the full Committee.

III. MEETINGS

The Committee shall meet at least annually, and more frequently as circumstances dictate. The Committee, or its Chairman, shall communicate each quarter with the independent auditors and management to review the Corporation's interim financial statements in accordance with Section VI.4. below. The Committee shall meet at least annually with management and the independent auditors in accordance with Section VI.5. below. Such meetings and communications shall be either in person or by conference telephone call, such meetings may be either separate or combined, at the discretion of the Committee.

IV. ACCOUNTABILITY

The independent auditor's shall be ultimately accountable to the Board and the Committee; provided that the Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by the Corporation (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each such registered public accounting firm shall report directly to the Committee.

V. FUNDING

The Corporation shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of compensation to (a) the registered public accounting firm employed by the Corporation for the purpose of rendering or issuing an audit report; and (b) to any advisors, including counsel, employed by the Committee in connection with the discharge of its duties.

VI. RESPONSIBILITIES

The responsibility of the Committee shall be to oversee the Corporation's financial reporting process on behalf of the Board and to report the results of such oversight activities to the Board and to the shareholders of the Corporation. The responsibility of management is to prepare the Corporation's financial statements. The responsibility of the independent auditors is to audit those financial statements. To fulfill its responsibilities the Committee shall:

Financial Reporting Review

1. Review and reassess the adequacy of this Charter, at least annually, as conditions dictate.
2. Confirm, at least annually, that the members of the Committee continue to meet all Nasdaq requirements for independence.
3. Confirm that the Company has made to the Nasdaq all required certifications regarding the annual review and reassessment of this Charter.
4. Prior to filing, in accordance with Statement of Auditing Standards No. 71 ("SAS No. 71"), and considering Statement on Auditing Standards No. 61 ("SAS No. 61") as it relates to interim financial information, review with management and the independent auditors (i) the Company's quarterly financial results prior to the release of earnings and (ii) the Company's Quarterly Reports on Form 10-Q prior to the filing of such reports with the Securities and Exchange Commission (the "SEC"). The Chairman of the Committee may represent the entire Committee for purposes of this review.
5. Prior to distribution, review the Corporation's audited financial statements, and discuss them with management and with the independent auditors, with specific attention to those matters to be discussed by SAS No. 61.
6. Receive from the independent auditors that formal written statement required by Independence Standards Board Standard No. 1 ("ISB Standard No. 1) and discuss with them that statement and their independence from management and the Corporation. Recommend, if appropriate, that the Board take appropriate action in response to the independent auditors' written disclosures to satisfy itself of the independent auditors' independence.

7. Based on the review and discussions set forth above, determine whether to recommend to the Board that the audited financial statements of the Corporation be included in its Annual Report on Form 10-K for filing with the Securities and Exchange Commission.
8. Review the regular internal reports to management prepared by the financial staff and discuss them with management as necessary. Meet with management and the independent auditor to review and discuss the annual audited financial statements and quarterly financial statements, including the related footnotes, the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the report of the independent auditor thereon and to discuss any off-balance sheet structures and significant issues encountered in the course of the audit work, including any restrictions on the scope of activities, access to required information, significant disagreements with management or the adequacy of internal controls.
9. Review and discuss with the independent auditors their evaluation of the Corporation's financial reporting processes, both internal and external.
10. Review and discuss with the independent auditors' their judgment about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles as applied in its financial reporting.

Independent Auditors

11. Select and retain the independent auditor; determine and approve compensation of the independent auditor; resolve disagreements between management and the independent auditor; oversee and evaluate the independent auditor; and, where appropriate, replace the independent auditor, with the understanding that the independent auditor shall report directly to and be overseen by the Committee. Prior to commencement of work on the annual audit by the independent auditors, discuss with them the overall scope and plan for their audit.
12. Pre-approve the retention of the independent auditor for all audit and such non-audit services as the independent auditor is permitted to provide the Company and approve the fees for such services, other than de minimis non-audit services allowed by relevant law. The Committee may pre-approve services by establishing detailed pre-approval policies and procedures as to the particular service; provided that the Committee is informed of each service pre-approved and that no pre-approval shall be delegated to management. In considering whether to pre-approve any non-audit services, the Committee or its delegates shall consider whether the provision of such services is compatible with maintaining the independence of the auditor
13. Following completion of work on the annual audit, discuss with the independent auditors and management the adequacy and effectiveness of the Company's systems of internal controls regarding finance and accounting.
14. Ensure that the independent auditor's lead partner and reviewing partner are replaced at least once every five years. Consider, from time to time, whether a rotation of the independent auditing firm would be in the best interests of the Company and its shareholders
15. Ensure that the Committee's approval of any audit services is publicly disclosed pursuant to applicable laws, rules and regulations.

Process Improvement

16. At least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, relating to one or more audits carried out by the firm and any steps taken to deal with any such issues. Review and discuss with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been or can be implemented.

Accounting Complaints

17. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Legal Matters

18. Review, with the Corporation's counsel (a) legal compliance matters, and (b) other legal matters that could have an impact on the Corporation's financial statements.